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1919, will be read with extraordinary interest by all those who have a knowledge of political conditions in the Far East and of Chinese political personalities. It will be of interest to others but it is doubtful whether from its pages they will be able to gain a connected and consistent idea of what happened in China during the years that are covered. It is evident that the volume has been prepared by Dr. Reinsch from his notes, kept from day to day, and, while this method gives a vivacity to some of his pages, it does not yield the definite results that might have been obtained had particular topics been selected and fully treated in separate chapters.

That Dr. Reinsch was an able representative in China of American diplomatic interests there can be no doubt. The reviewer was several times in Peking, for considerable periods of time, while Dr. Reinsch was there, and can testify to the general respect with which he was regarded by the entire diplomatic body. He was also held in high esteem by the Chinese who seemed to have no doubt as to his sincere desire that their country should be justly and even benevolently dealt with by the other powers. It was a great grief to Dr. Reinsch, which he does not hesitate to express, when the American government failed at Paris to support China's plea for the restitution to her of the German rights in Shantung, and this, together with other disappointing acts of his government, led to his resignation in 1919.

In many places there are illuminating comments by Dr. Reinsch upon conditions in China—comments which show his keen powers of analysis and appreciation. These were to be expected of the author of the volume, *Intellectual and Political Currents in the Far East*. But the outstanding impression which one gains from the volume is the ruthlessness with which Japan has pursued her policies in China and in the Far East generally. Dr. Reinsch does not mince words as to this. "The Japanese were ready to take advantage of and to aggravate any weakness which might exist in Chinese social and political life. They would fasten like leeches upon any sore spot," is one of his statements. "The whole course of Japan in China during the

Great War alarmed both Chinese and foreigners," is another. "Japanese imperialistic politics with its unconscionably ruthless and underhanded actions and its fundamental lack of every idea of fair play," is still another. To those face to face with what Japanese militarism has been doing to Continental Asia, he says, there is left no doubt of its sinister quality—"Japan herself needs to be delivered from it, for it has used the Japanese people, their art and their civilization, for its own evil ends. More than that, it threatens the peace of the world. If talk of 'a better understanding' presupposes the continuance of such aims and motives as have actuated Japanese political plots during the past few years, it is futile. What is needed is a change of heart."

Following this last considered opinion, Dr. Reinsch reproduces at some length the substance of a memorandum upon which, he says, he based a cabled statement to the President of the United States of China's vital relation to future peace. The reviewer does not remember having before seen, from the pen of an American diplomatic official, an indictment so scathing of another country. It is to be hoped that, with the Washington Conference, there has come to Japan that change of heart which Dr. Reinsch declares to be so necessary.

W. W. WILLOUGHBY.

LINCOLN, EDMOND EARLE. *Problems in Business Finance*. Pp. 1, 525. Price, \$5.00. Chicago: A. W. Shaw Company, 1921.

Professor Lincoln has made a noteworthy contribution, not only to the list of textbooks in the field of finance, but also to the literature of the subject. Frankly abandoning the field hitherto occupied by the list of manuals which deal with corporation finance, banking and similar topics, he has addressed himself to the study of the problems of the medium sized and smaller industrial concerns, which constituted, he says, in 1914, 98.6 per cent of the total number of manufacturing concerns in the United States, producing more than 52 per cent of value in products. Professor Lincoln believes that the financ-

ing of railroads and public utilities, to which might also be added the financing of the larger industrials, present "a reasonable degree of standardization." The financial principles which should govern the management of the smaller manufacturing, trading and financial concerns have not been, in his opinion, sufficiently investigated.

He begins his discussion with a general survey of the field, which summarizes the more important rules of financial management in the launching of the concern, its growth, and its current management. These rules are familiar, indeed almost axiomatic. They have been discussed at length in numerous manuals, a list of which the author furnishes. No attempt at any original contribution is apparently made, and, indeed, this introductory chapter seems to go no further than to suggest the necessity of carefully studying the various manuals which deal intensively with the topics indicated.

Beginning with chapter two, however, we find a long list of problems covering the following topics: financial consideration involved in beginning a business; problems of raising fixed capital; problems of raising working capital; problems of internal financing, and financial aspects of producing and selling; the administration of earnings, and the handling of financial difficulties. Each of these topics is developed by a series of problems which are drawn from the financial experiences of a large number of business men and bankers, more than one hundred and twenty-five different kinds of businesses and industries being represented, and hundreds of separate concerns. Some of these cases are familiar to those who follow the financial news, as, for example, the method of extending the customer ownership of the United Drug Company; the methods of promoting employee ownership; the vicissitudes of the Good-year Rubber Company; Mr. Ford's recent experiences; the financing of the Export Copper Trade; and the dividend policy of the American Telephone and Telegraph Company. Most of the problems are, however, presented for the first time. A specimen of the author's method is shown in the following problem which deals with the

question: Shall Competitors Be Bought up with Surplus Funds?

The Z Cotton Manufacturing Company found itself heavily stocked with raw cotton at the time when sales began to slump. The management, feeling less optimistic than its competitors, began to protect itself against the probable drop in prices by selling its cotton for future delivery, when there seemed to be no market for the finished goods. Accordingly, within a few months, while the competing mills were without orders and had all their resources tied up in inventory bought at top prices, the Z Company had cleared out practically all of its inventory, had a large amount of cash on hand, and was ready to buy raw cotton at the bottom of the market. The president of the Z Company says that several questions having to do with the financial policy of the company are now being considered by his organization:

A. Shall the Z Company cut its prices on cotton cloth to a point where many of its competitors will be forced into bankruptcy?

B. Should the Z Company use some of the surplus funds which it now has to buy out its failing competitors?

C. Assuming that the Z Company is agreeable to purchasing some of the competing mills, provided it can get them cheap, the question is raised, "When is a cotton mill cheap?"

At the present time it would cost two or three times as much to reconstruct a mill as before the war.

(a) Would a mill, therefore, be worth buying if it could be taken over at the pre-war cost of reproduction, less depreciation?

(b) Even if this low figure could be secured, would it be a wise financial policy to buy out competitors?

QUESTIONS.

1. What advice would you give the president of the Z Company on the various questions raised by him?

2. If you do not advise the buying up of competitors, just what would you advise the Z Company to do with its surplus?

3. Do you think it advisable for a concern to follow a "fluctuating" dividend policy, or is it wiser to keep the common stock dividends fairly even from year to year? Does the nature of the business or the extent and character of its ownership affect your decision?

At the end of each of the problems the author presents certain suggestive questions as shown above. These are very general in nature and are calculated to stimulate discussion.

The volume concludes with a statistical

appendix which is arranged to parallel the chapters in the book in order to assist the student in the solution of the problems presented.

Professor Lincoln modestly confesses the existence of numerous shortcomings in the work and invites criticism. Criticism of a book which covers so extensive a field and develops so much new material, at an expense of time and energy which only those who have done similar work can appreciate, would be ungracious. A suggestion may, however, be ventured.

The problem method has been used in advanced classes in the Wharton School of Finance and Commerce of the University of Pennsylvania for many years. The aim in this work has been to give the student facility in devising methods of accomplishing certain results, rather than to encourage him to pass judgment on the expediency of the various devices employed, which seems to be the general plan on which Professor Lincoln's book has been constructed. For example:

"A public service corporation desires to borrow money to finance purchases of equipment. In the face of certain rigid mortgage restrictions, how can this be accomplished?" Or, "The Supreme Court

has ordered a corporation to be dissolved on the ground of violation of the Sherman Anti-Trust Law. How can this dissolution best be accomplished?"

Professor Lincoln's method is, rather, to present the facts, and the methods employed, and then to ask the student to express his opinion as to the strength or weakness of the methods employed, or the justification of the action taken, or the merits of an alternative plan.

The reviewer has had only a limited opportunity to utilize Professor Lincoln's problems. So far as his experience extends, and basing his opinion upon the interest shown by the students in these problems as contrasted with those formerly used, he is inclined to give the preference to those prepared by Professor Lincoln. At the same time, he does not believe that the problems which force the student to devise financial expedience can be disregarded, since, after all, advanced students in these subjects are more likely to be active agents than critics and commentators.

Probably a combination of the two types of problems will, in the long run, be found the most satisfactory.

E. S. MEADE.